



REPORT TO OLDER IOWANS

from U.S. Senator Chuck Grassley of Iowa

Fall 2004

Dear Friend:

Last year Congress approved the most sweeping improvements to Medicare in history. In a bipartisan agreement, Republicans and Democrats worked together to bring the popular health insurance program into the 21st century for the 43 million older and disabled individuals it serves.

Medicare has provided health care security to tens of millions of Americans for 39 years. The program is woven into the social fabric of American society. Yet in the last four decades, America has evolved from a health care delivery system rooted in hospital-based care to one emphasizing preventive care, disease management and breakthrough prescription drugs.

In the 21st century, doctors treat serious chronic conditions such as heart disease, hypertension and diabetes with prescription medicine. And aging Americans are enjoying a longer, better quality of life in large measure due to modern-day prescription medicines.

Thanks to the *Medicare Modernization Act*, Medicare for the first time ever will offer many of the same benefits available to federal employees and workers in the private sector, including prescription drug coverage.

As chairman of the Senate Finance Committee, I helped steer the bipartisan legislation through Congress. Now that it is the law of the land, I am keeping close tabs on how the federal government implements the changes to make sure the new programs work as Congress intended for beneficiaries today and in the future.

I'm also working to help raise awareness about the new benefits because they won't do a bit of good if people don't know about them. Some have tried to make hay by bashing the new Medicare benefits for being too complicated, but that doesn't do any favors for Medicare beneficiaries. Scare tactics fuel confusion instead of helping to sort through new program benefits in the same kind of way that older Americans learned about Medicare when it was first created in 1965.

Medicare beneficiaries wanted and needed a prescription drug benefit, and Congress delivered on lawmakers' promises to make Medicare better with new benefits that are sustainable and affordable for beneficiaries and hard-working taxpayers.

During the first four months of the year, I conducted 41 meetings throughout Iowa to help educate beneficiaries about the new Medicare law and gauge how Iowans feel about it.

From the feedback I received at these meetings and through constituent contacts to my office, I've compiled a list of most commonly asked questions about the Medicare-approved drug discount cards, the new Medicare prescription drug benefit, and other benefits included in the new Medicare law.

I hope this newsletter will help clear up some of the confusion and give you a better understanding about new Medicare benefits.

As always, I encourage Iowans to keep the lines of communication open. Representative government is a two-way street and I need your feedback to do the best possible job serving you in the nation's capital.

Please keep in touch,

Chuck Grassley of Iowa
United States Senator

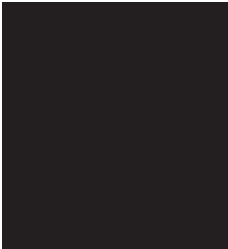


Photo by **Grundy Register**.

Senator Grassley has conducted 41 town meetings in Iowa this year to provide information and answer questions about the new Medicare prescription drug law. He met with older Iowans in Greenfield, Vinton, Waterloo, Boone, Waverly, Independence, Storm Lake, Allison, Rockwell City, Carroll, Mason City, Cherokee, New Hampton, Denison, Perry, Manchester, Jefferson, Grundy Center, Guthrie Center, Missouri Valley, Maquoketa, Anamosa, Sigourney, Cedar Rapids (twice), Columbus Junction, Winterset, Oskaloosa, Pella, LeMars, Pocahontas, Des Moines (twice), Council Bluffs, Sac City, Davenport, Indianola, Washington, Fort Dodge, Sioux City, and Clarion.

MOST COMMONLY ASKED QUESTIONS

What if I like Medicare just the way it is?

You don't have to change a thing. The new benefits are absolutely voluntary. Just remember that the first-ever prescription drug benefit will be available to every Medicare beneficiary who wishes to join. And it targets assistance to those with the greatest need.

Is the Medicare-approved drug discount card the same thing as the new Medicare prescription drug benefit?

No, they're different. The drug discount card program is an interim measure for 2004 and 2005. The permanent Medicare prescription drug program will be up and running in 2006.



How does the Medicare-approved drug discount card program work?

Medicare-approved drug discount cards are made available by companies who meet stringent standards. Card sponsors have to cover drugs in 209 categories and their cards must be accepted at a large number of pharmacies, for example. Congress set these requirements to make sure Medicare beneficiaries who sign up for the cards will be able to get the medicine they need from their neighborhood pharmacies. Card sponsors can increase prices only under limited circumstances. The Medicare-approved drug discount cards are available to all Medicare beneficiaries except those who have prescription drug coverage through a state Medicaid program. The cards are available regardless of where you live.

How much can I expect to save by signing up for the temporary card?

The Medicare drug discount card program pools the purchasing power of seniors to give individuals real savings on their medicines. Depending on the drug, you can expect to save from between 15 to 30 percent off the usual retail price. By choosing to buy generic drugs with the discount card, savings may range from 37 to 65 percent below the average generic prices on the retail market. The Kaiser Family Foundation found savings of 17 to 24 percent off retail prices and even greater savings of about 30 percent by going through a mail order pharmacy.

Is just one discount card available?

No. It's in your best interest to do some comparison-shopping for the Medicare-approved discount cards available in your area. Be sure to look for the special Medicare-approved seal on your discount card to protect yourself against fraud. Don't offer personal banking information, Social Security or Medicare identification numbers to solicitors who call or knock on your door. You should report any unsolicited inquiries to 1-800-MEDICARE. Be sure to give Medicare officials as much information as possible so they can help stop this fraud.

How do I sign up for the new Medicare-approved drug discount card?

It can seem complicated to choose from a smorgasbord of cards, but signing up for a Medicare-approved discount card is not an impossible task, and it can provide you with real savings.

The first step to take in deciding if you want to purchase a Medicare-approved drug discount card is to gather up the following information: your ZIP code, annual income, a list of the prescription drugs you take and the dosages, and the names of the pharmacies that you might want to use. The next step is to consult either CMS, which is the federal government's Centers

for Medicare and Medicaid Services, or SHIIP, which is Iowa's State Health Insurance Information Program.

PICKING A DRUG DISCOUNT CARD

CMS

The federal agency that runs Medicare – the Centers for Medicare and Medicaid Services (CMS) – has a Web site where visitors can compare drug prices and search for a local pharmacy that accepts the Medicare-approved discount cards. Go to www.medicare.gov to learn more. Seniors and their family members also may access one-on-one assistance by calling toll-free **1-800-MEDICARE** to speak directly with a Medicare representative for personalized help.

SHIIP

The local State Health Insurance Information Assistance Programs (SHIIP) offers free advice and confidential health insurance counseling. Congress boosted funding for these local outreach programs by 69 percent to get help where help is needed most in the communities where seniors live. These dedicated representatives know the Medicare program inside and out. They offer unbiased information to help people choose the right benefit option for them. Iowa has representatives in 75 counties. To find a SHIIP volunteer in your area, call **1-800-351-4664** or send an e-mail to: shiip@comm6.state.ia.us. Also check its Web site at www.shiip.state.ia.us.

How much will the card cost me?

Medicare-approved drug discount cards cost \$30 a year or less. Many sponsors have lower annual fees. Medicare beneficiaries who qualify for the low-income credit do not pay any enrollment fee. Medicare pays the fee on their behalf.



What's the low-income credit?

Low-income Medicare beneficiaries may qualify for a \$600 annual credit on the card for 2004 and 2005 for a total of \$1,200, and pay no enrollment fee. Any unused credit in 2004 will roll over for 2005.

A single person whose income is no more than about \$12,600, or a married couple whose income is no more than about \$16,900 qualify for the credit.

For these beneficiaries, the card will act like a debit card. When the card is presented at a pharmacy, the beneficiary will be able to 'draw down' from the \$600 to purchase their prescriptions.

Will the extra \$600 affect other federal benefits for low-income individuals?

No. The law specifically says the discounts and subsidies cannot cause other federal benefits to be reduced or taken away, including the food stamp program or housing assistance.

So when does the new Medicare prescription drug program begin?

Starting November 15, 2005, Medicare will begin enrolling beneficiaries in the first-ever permanent, but voluntary,

NS ABOUT THE NEW MEDICARE LAW

Medicare prescription drug benefit (Part D) program. Drug coverage will become effective on January 1, 2006. You will have three choices to consider.

First, seniors may choose to stay with traditional Medicare and decline prescription drug coverage.

Second, seniors may choose to stay in traditional Medicare and also enroll in a Medicare-approved, stand-alone prescription drug plan.

Third, seniors may enroll in the new Medicare Advantage program. Tailored after health insurance benefits most typically offered Americans in the workplace, Medicare Advantage will provide prescription drug coverage through Preferred Provider Organizations (PPOs) or Health Maintenance Organizations (HMOs). Medicare Advantage will operate as an integrated benefit package covering hospital, physician and drug costs. After the first enrollment period, Medicare beneficiaries will be able to make a decision every year between November 15 and December 31 about the kind of Medicare coverage they select, whether it's traditional Medicare without a drug benefit, traditional Medicare with a free-standing drug benefit or Medicare Advantage. There will be a late enrollment penalty for beneficiaries who don't select a drug benefit when they are first eligible. That penalty will be the same as the one that has been used since 1965 for Medicare Part B. Beneficiaries who are already enrolled in a drug benefit plan either through their employers or as veterans will not be subject to this penalty, so long as that drug benefit is at least as generous as Medicare's new program.

Will Iowans have the same choices as residents of other states?

The new Medicare law creates new rights and protections that apply to all beneficiaries. All prescription drug plans and Medicare Advantage plans must accept all eligible enrollees who reside in their service area, regardless of age or health status. Plus, all participating plans must create broad networks of retail pharmacies. That way, seniors living in suburban, urban or rural areas will have convenient access to their medicines. Other universal protections that plans will be required to have include customer service guarantees; therapy management programs; generic drug information; and an appeals process.

What savings are in store under the permanent program?

Starting in 2006, qualifying seniors and people with disabilities will enjoy even greater savings under a Medicare-approved drug benefit plan. For roughly \$35 a month, many folks will see their yearly drug costs cut in half. If you currently have no drug coverage and you pay \$2,000 a year on prescription medicine, you can expect to save more than \$892 under the standard prescription drug benefit after paying the premium, deductible and copayments. If you currently have no drug coverage and you pay \$7,000 a year on prescription medicine, you can expect to save nearly \$2,885 under the standard prescription drug benefit after paying the premium, deductible and copayments.

If you pay more than \$3,600 per year on prescription medicines, Medicare will cover 95 percent of drug costs above that amount.

Does the permanent program include additional benefits for low-income seniors?

Yes. Seniors or people with disabilities with limited assets and annual incomes at \$12,568 for individuals or \$16,862 for married couples will pay no additional premium, no deductible and low co-payments. If you fall into this category, you'll pay only \$2 co-pay for generic or \$5 for brand-name drugs. For those falling between 135 percent and 150 percent of the

federal poverty level (FPL) – annual incomes under \$13,965 for individuals and \$18,735 for married couples – you'll pay a reduced monthly premium, a \$50 deductible and a 15 percent co-payment. Medicare will pay for 85 percent of your drug costs.

About one-third of all Medicare beneficiaries will be eligible for low-income assistance in this program.

BUYING PRESCRIPTION DRUGS IN CANADA

I've always supported Iowans to buy prescription drugs from Canada. I introduced legislation in April to make it legal for Americans to import their prescription drugs and help assure that imported drugs are safe and reliable. I consider this a free trade issue. It makes sense to allow competition in the global marketplace leverage a lower price for consumers.

Iowans who attend my town meetings have no trouble getting their point across on this issue. Many folks take advantage of bus trips to Canada or use mail-order pharmacies to fill their prescriptions more affordably. I'll continue working in Washington to make it legal for them to do so. And we also must provide quality assurance of the products coming in to the United States so consumers aren't putting themselves at risk.

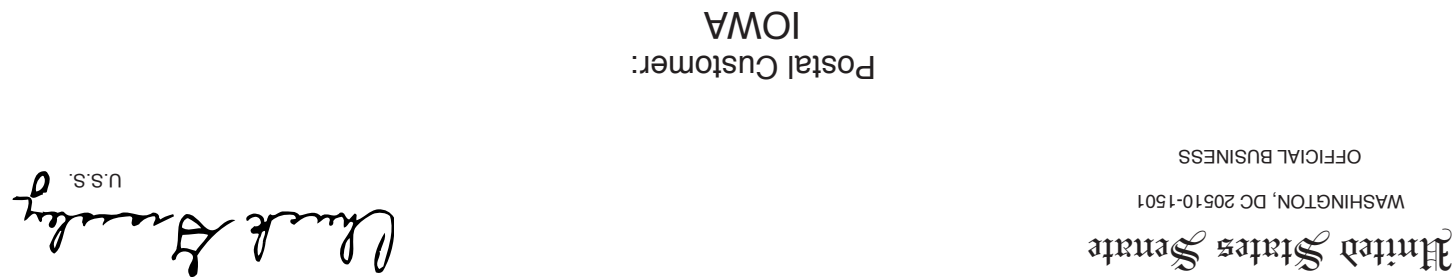
Why doesn't the program give a bigger break to middle-income seniors?

Don't forget, the new prescription drug benefit does protect *all* seniors against catastrophic drug costs. All beneficiaries qualify for the standard drug benefit that picks up 95 percent of all drug costs once a beneficiary spends \$3,600 out-of-pocket per year. Medicare beneficiaries who participate in the program will be able to access lower-cost prescription drugs.

As a chief architect of the new law, it was tough negotiating this major new program. We worked hard to bridge a sizable philosophical divide and stay within budget. As a senior member of the Senate Budget Committee, I helped secure \$400 billion over ten years for the new Medicare benefits. You have to realize we also must remain conscientious about reducing the federal deficit. Our bipartisan agreement sought to strike the most reasonable balance for Medicare beneficiaries and hard-working taxpayers.

Just remember that in the next 20 years, the Medicare population will grow from 41 million to about 70 million. When the baby boomers begin to retire in 2011, a significant demographic shift will begin. Fewer workers will be supporting each Medicare Part A beneficiary. Consider four workers today support one Medicare beneficiary. That drops to 2.4 per beneficiary in 2030. Policymakers must take into account that today's decisions greatly impact future generations. That's why the greatest benefit is targeted to those with the greatest need. And that means those with the highest drug costs and the least means. Critics who claim the benefits aren't generous enough aren't coming clean with voters.

As Iowa's senior U.S. senator, I took into consideration the 482,340 Iowans currently covered by Medicare as well as their children and grandchildren who someday will depend on Medicare for their own health care security.



What other benefits are new for beneficiaries under the new Medicare law?

Soon, Medicare will unveil a comprehensive upgrade of preventive benefits for all beneficiaries, including a welcome-to-Medicare physical. Plus, coverage of screening tests for heart disease, diabetes, osteoporosis, and breast, colon, cervical and prostate cancers will offer even better health care security to America’s Medicare population.

With Medicare offering new prescription drug benefits, will employers drop their retiree health benefits?

Long before Congress approved the *Medicare Modernization Act*, employer-sponsored retiree health care plans have been phasing out or shifting more costs to retirees as medical costs have climbed. One recent study showed just 10 percent of small firms with fewer than 199 employees offered health benefits to retirees in 2003. The same study found large firms offering coverage dropped from 66 percent in 1988 to 38 percent in 2003. To help curb the trend, lawmakers added special incentives for employers and unions to encourage them to continue offering health benefits to their retired workers. Tax-free financial support from Medicare will help employers provide a more generous and less costly drug benefit for retirees than is possible through employer support alone.

How does the new law benefit Iowa’s health care system?

A flawed payment system for years shortchanged Iowa hospitals and health care providers getting reimbursed by Medicare. The good news is, I won an uphill battle to bring equity to Iowa and 29 other states. My efforts will help bridge the reimbursement gap between rural and urban providers. Under the new Medicare law signed by President Bush in December, Iowa’s hometown hospitals and community health centers stand to gain a major shot in the arm from increased Medicare payments. Specifically, over the next 10 years, Iowa stands to net an additional \$579 million.

Medicare payments that significantly impact Iowa’s health care delivery system are already having a positive impact. Those who benefit, Iowa physicians, hospitals, home health agencies, renal dialysis facilities and ambulance service providers, render life-saving care and medical attention to all Iowans.

So thanks to the new Medicare law, *all* Iowans will benefit. Increased Medicare payments will help keep access to health care close to home for Iowans of all ages.

As the lead architect of these changes in the U.S. Senate, I insisted on the rural equity measure to fix the payment disparity. The payment system created an unfair situation for communities to compete for the best and brightest job candidates and retain medical professionals to serve residents, especially in rural areas of the state.

OVERHEARD

Here’s what others say about the new Medicare law —

An important milestone in the nation’s commitment to strengthen and expand health security for its citizens.

AARP

The passage ... is a monumental victory for rural states like Iowa.

Dr. Tom Evans
former President of the Iowa Medical Society

This bill makes real progress towards addressing a long standing inequity within Medicare that has cheated Iowa’s hospitals and burdened Iowa’s economy. Support from this legislation will allow our hospitals to be more financially secure, more competitive and even more vital to Iowa’s future growth.

Kim Russel
President and CEO
of the Mary Greeley Medical Center in Ames
and Chair of the Iowa Hospital Association Board

NEW MEDICARE LAW ENDORSED BY

- AARP
- Alzheimer’s Association
- Iowa Academy of Family Physicians Iowa Hospital Association
- Iowa Medical Society
- Iowa Osteopathic Medical Association
- Iowa Pathology Associates
- Mayo Clinic
- Rural Hospital Association
- University of Iowa Health Care